Juvenile products grow up
MarkeTrends: Boom boxes, Scales

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Chain Store Age

GENERAL MERCHANDISE TRENDS OCTOBER 1987

Specialty chains worth watching

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"The country is dying to be fun-loving again."

Domain's Judy George

TWO DOLLARS PER ISSUE

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More consumers take to the pen

If you think the art of self-expression is dead, just consider statistics recently released by the Writing Instrument Manufacturers Association.

The WIMA reports that dollar sales of writing instruments, including pens, markers and mechanical pens, at retail last year hit a record high of $2,317,386,000. In 1985 the total was $2,075,780,000.

Unit sales also increased more than 10% in 1986, climbing to 3,928,713,000 from the previous year's total of 3,564,923,000.

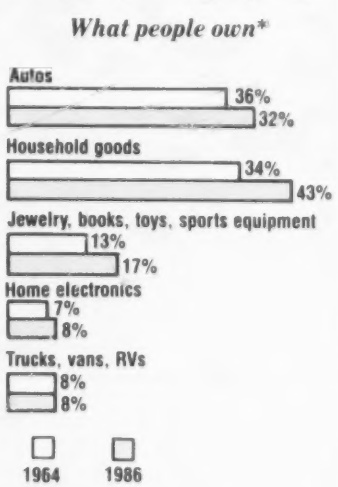
For the record, mechanical sales increased by more than 30% with the largest gain in clutch action models. Markers and highlighters increased 20%. Ball point pen sales showed a 7% gain, while roller pen sales jumped almost 15%. Sales increases were also registered in porous point pens and desk pen sets.

Art markers were distinguished from other models in the marker category by the WIMA for the first time this year. There were more than 14 million art markers sold last year for a volume that totaled $12,782,000.

Growth still ahead for electronics, toys

The best predictor of what people will buy, according to a study in a recent issue of *American Demographics*, is what people already own. When the old one wears out, the magazine reasons, customers will go out and buy a new one.

Using Department of Commerce figures, the magazine says



Source: American Demographics
Department of Commerce

that the average family in 1986 owned more electronics, jewelry, toys, books and sports equipment than it did in 1964. If the trend continues, these are the departments best poised for continued growth.

In 1964 jewelry, books, toys and sports equipment amounted to 13% of the value of the average family's durable goods stock. Twenty-two years later, their share of the typical household's pie had grown to 17%, according to Department of Commerce figures. Home electronics over the same period grew from 7% to 8%.

Home electronics, however, have been growing at a faster pace than even those numbers indicate. In 1985, the average family's stock of electronics increased in value by 14%. Last year, the amount picked up still more, gaining 17%.

Will the upward trend continue? According to *American Demographics*, the early 1980s recession was preceeded by a dropoff in durable values. The good news is that this year's figures should increase 6%, just about equalling last year's gain.

Physico Fitness plans franchising

When Houston's economy hit bottom in 1985, a consumer electronics retailer crossed over to selling sports equipment and apparel. Two years later, Houston's economy is no better off, but the retailer has opened a second store and plans to go national through franchises.

The store is Physico Fitness Superstore and its owner is Eddie Lakeir, who says he is weathering Houston's inclement financial climate by including in his pitch for high-end sportswear and fitness gear some principles from plugging TVs and VCRs: lots of advertising and price-cutting as well as staying open all seven days and during the evening, combining the methods of an aggressive mass merchandiser with the wares of a pricey specialty retailer.

Lakier says that when he got into the sporting goods business in Houston, his fellow dealers in higher-quality merchandise were selling at or above suggested retail price, so competitive tactics were long overdue.

Also, he tried something else to distinguish his operation in another way, putting in a tanning salon with five booths and an aerobic studio offering several classes a day.

The tanning salon is a loss leader, and the aerobics studio generates only a minor profit. So their purpose is to bring the traffic in, rather than function as profit centers in their own right. The real money is in the fitness gear and apparel.

The prices of his weights, upright and recubent bicycles, ski machines and electronic bikes range from upper-medium to premium. Any cheaper and they tend to break down very quickly, he says.

Clothing does not break or malfunction, so the price spread is much wider, from high to deep discount. Also, the apparel is for fitness and dancing, and that is it. He cut out a line of tennis wear and has never carried any other kind of clothing. The point is to offer more of a certain kind of product than a customer can find anywhere else, he says, so while breadth may not be his strong point, depth in certain product lines is.

It looks as if the strategy is working, he contends. The first store in its first fiscal year tallied sales of $2 million. By the time its third year ends next spring, he expects sales to total $3.5 million with the second outlet contributing another $2.5 million.

No boom, but no downturn

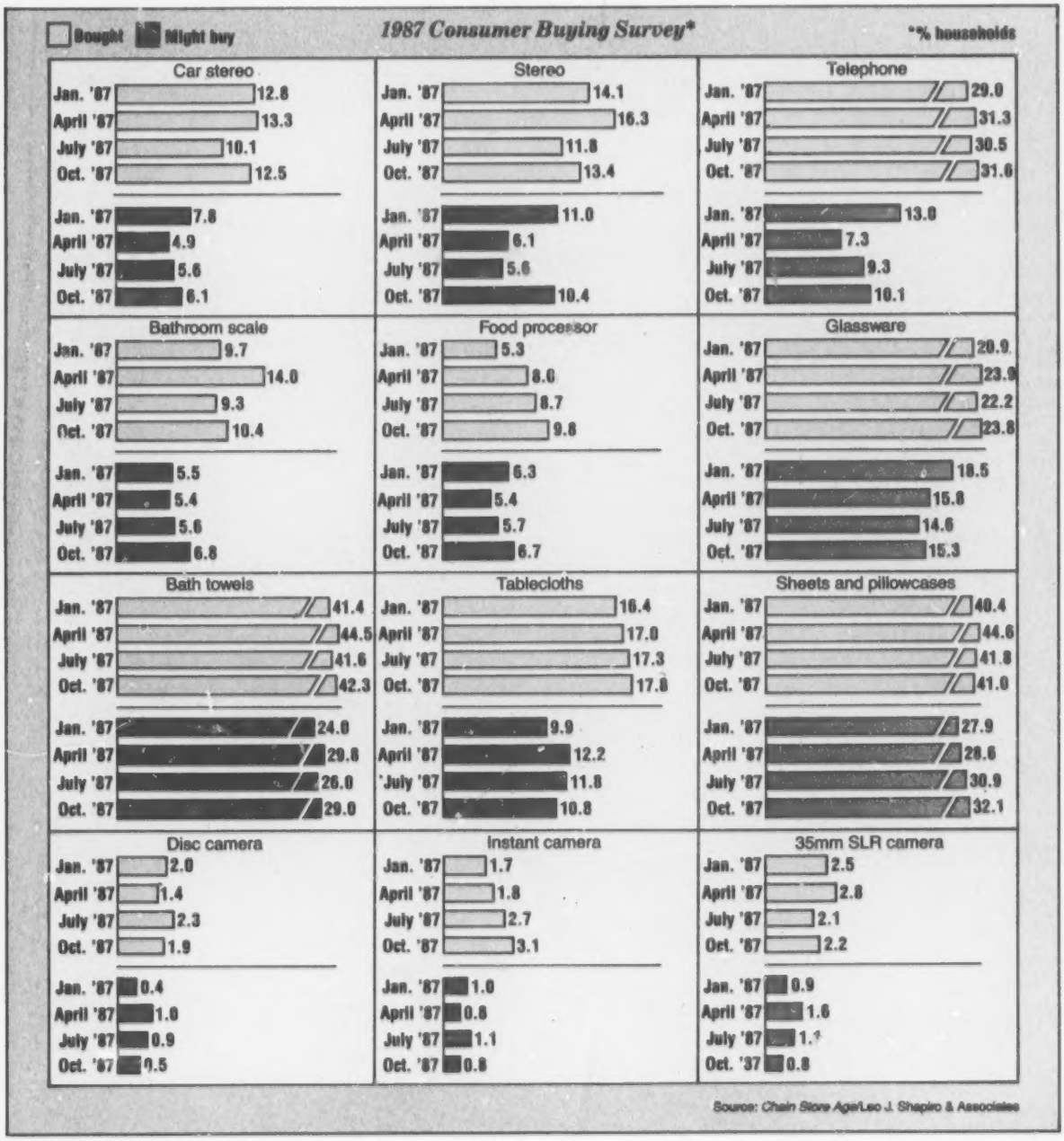
The next 12 months will be a replay of 1987, or so say the 450 families in the monthly, nationwide MarkeTrends survey. Home electronics results will be mixed. Housewares and photo sales trends will repeat their spotty performance, too. Domestics will continue on a sales surge.

According to results from the latest poll, the number of MarkeTrends families that say they plan on buying a telephone is down strongly. Compared to a year ago, 38% fewer households in the current study report that they expect to buy a phone.

Car stereos turned in good sales hikes last year, but the number of survey households that plan on buying an auto sound system has dipped 8% since the October, 1986 survey.

Home stereos, however, are set to pick up from the sales plateau they hit earlier this year. In the latest survey, a whopping one-third more of the MarkeTrends families report that a stereo system is on their shopping list for 1987.

Housewares categories in this month's survey turn in even more mixed results. Since early spring, customers in the poll have shown renewed interest in food processors.



Source: Chain Store Age/Leo J. Shapiro & Associates

The current reading is 24% ahead of totals recorded a year ago, hitting its highest consumer interest in the history of the MarkeTrends poll.

Sunbeam's Oskar and its knockoffs appear to have done a remarkable job at creating a whole new market for food processors. According to the trend measured over the past six months, expect the sales upswing to continue.

Interest in buying bathroom scales, on the other hand, has held fairly steady throughout 1987. Though readings in the latest survey are ahead of totals recorded earlier this year, it is still too early to predict a change in the sales trend.

And though glassware sales have trended upward this year, the MarkeTrends families are beginning to express slightly less interest in buying next year. In the current poll, 8% fewer families say they will purchase glassware in the next 12 months.

Plan on disc cameras continuing their sales slide, too. Despite summer sales promotions for the cameras, the MarkeTrends families look as if they are beginning to give up on the format. The latest reading extends a dip in customer buying intentions that began in earnest last spring. A better bet will be point-and-shoot cameras.

***Compared to 1986,** 38% fewer shoppers expect to purchase a telephone.*

Single lens reflex cameras are faring better, according to the MarkeTrends poll. The number of families saying they plan on purchasing an SLR is just about equal to readings in the year-ago survey. But in a market that has been shrinking steadily over the last several years, even a halt in the downswing is welcome news.

Polaroid gets some good news in the latest poll, too. Customer plans to buy its instant cameras continue to outpace totals recorded a year ago. The number of families reporting that they already have bought an instant camera is nearly double what it was in January. The MarkeTrends survey gives every indication that the trend will continue.

Domestics categories, meanwhile, are among the poll's best performers. Customer buying plans for sheets and pillowcases are up 22% from the year-ago survey. Bath towels record a 17% gain. □

NEW PRODUCTS

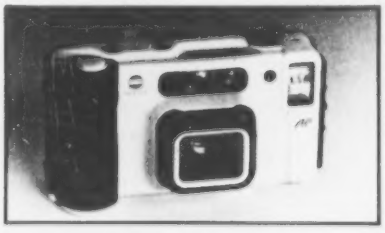
"Big Bird's Tea Party," "Grover's Animal Parade" and "Ernie's Nursery Rhymes" are three new titles just released from Sight & Sound Music Software. Called the Sesame Street Musical Storybook Series,

the books carry a suggested retail of $13.95, and will be in major stores nationwide this fall. The books are special in the fact they not only tell a story with accompanying songs and music, but also help children learn to play the songs on the mini electronic keyboard built into the book. *(Sight & Sound Music Software Inc., 3200 S. 166th St., New Berlin, Wisc. 53151.)*

Brother International introduces the AX-22 daisy wheel electronic typewriter at a price point targeted at the mass marketplace. The Brother AX-22 brings new simplicity to typing. It features an auto-

matic 'Word-Out' and 'Line-Out' correction system for erasing a single word or an entire line. It also has full line lift-off correction memory. Other features include variable 10 and 12 pitch typing; automatic right margin flush, centering and underlining; a full-size 12-in. paper capacity; and a 12cps typing speed. *(Brother International Corp., 8 Corporate Place, Piscataway, N.J. 08854.)*

Minolta introduces the Weathermatic Dual 35: the world's first all-weather/waterproof dual-lens autofocus compact camera. This ruggedly designed compact camera lets one enjoy taking pictures anytime, anywhere and in any weather. The Weathermatic Dual 35 is O-Ring sealed against moisture, sand



and dust. This design makes the camera ideal for use on snowy hillsides, sandy beaches, in the rain, or even 16.5 feet underwater. In addition, the camera floats and has high-visibility yellow-and-grey surfaces. Thissi makes the camera easy to retrieve if it is dropped in a swimming pool or overboard while boating. *(Minolta Corp., 101 Williams Dr., Ramsey, N.J. 07446.)*

DISCOUNT CUSTOMERS WANT LOW-PRICED

BOOM BOXES

Discount shoppers expect to pay as much as 50% less than department store and electronics specialty store customers. Yet they will not compromise on features.

In case no one noticed, discount store shoppers are bargain hunters. In the stampede to upscale, the temptation has been to forget this axiom. But for some insight as to what is really happening in the market, watch the customer for boom boxes.

For one, the discount customer expects to pay only $78 for a portable stereo. Compare this to the department store shopper, who thinks he will spend more than twice as much, or $180. So, too, will the electronics specialty outlet customer, who plans on paying $174.

Nonetheless, the discount store shopper expects to get all the same features that the department or specialty store customer wants, including such pricey add-ons as a dual cassette recorder, detachable speakers, a compact disc player and, for a significant number, even a television set.

About 14% of potential boom box buyers expect to buy at a discount store, the survey says. Thirty-one percent plan on making their purchase at an electronics specialty store. Nine percent think they will buy at either Sears, Penney or Ward. Six percent report they will purchase at a department store.

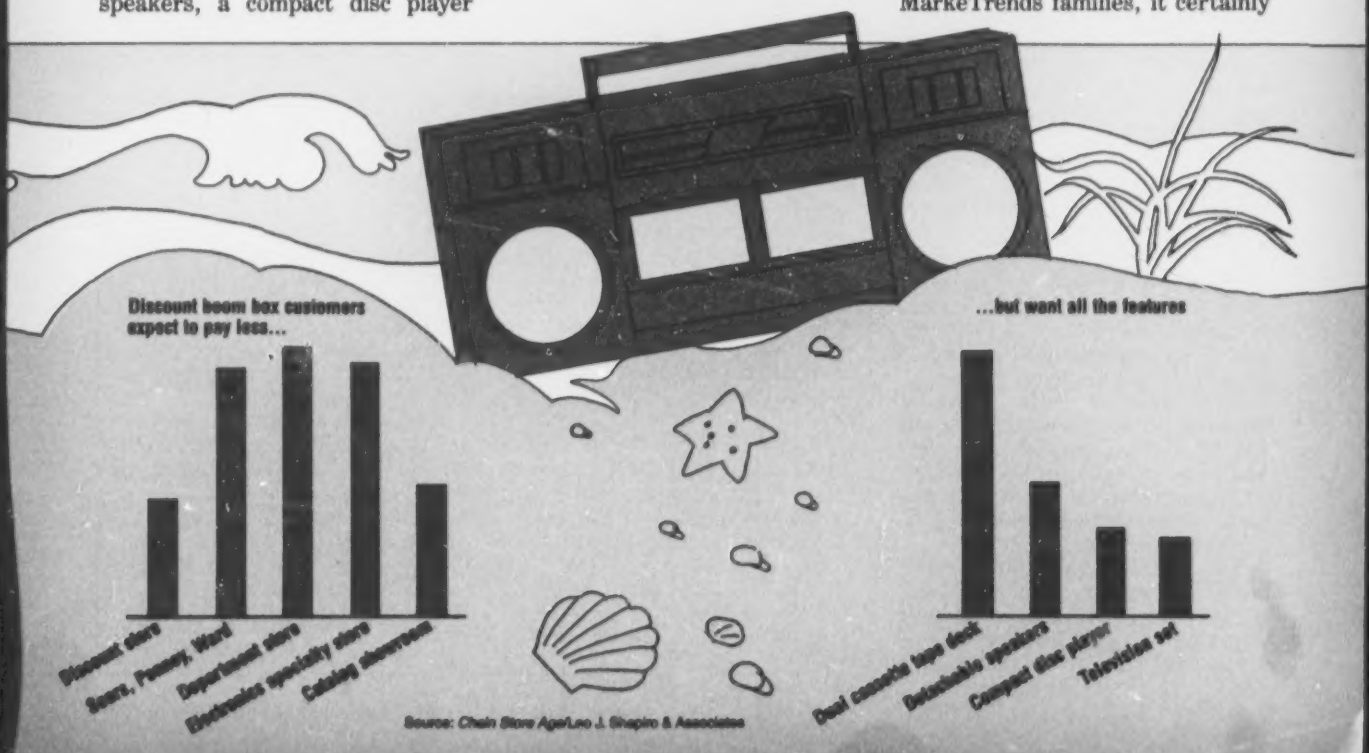
The results are part of the latest monthly *Chain Store Age*/Leo J. Shapiro & Associates nationwide MarkeTrends survey of 450 families. The most recent sweep was conducted through random telephone interviews in August.

According to the exclusive poll, the discount store shopper for portable stereos is a different breed entirely from the customer who buys from other retail outlets. He is, above all else, a bargain hunter.

While certainly able to pay more (the discount store shopper for boom boxes pulls in $27,200 annually, compared to $25,900 for the specialty store customer), the mass market customer apparently just refuses to pay more for a portable stereo.

When asked to rate the importance of price in deciding which boom box to buy, 60% of discount outlet shoppers say it is very important. Fewer than half of the electronics specialty store customers rank price equally important.

Features for less: Is there anything that the discount store customer is willing to give up in return for a price break? According to the MarkeTrends families, it certainly

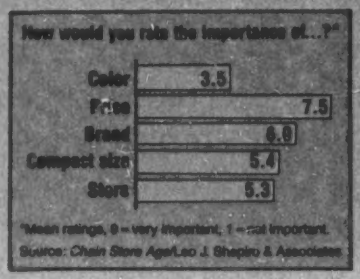


Color ranked least important

First came pastels, then came brights. The explosion of color in boom boxes was supposed to create some fashion excitement. Did it work?

According to families in the most recent *Chain Store Age* MarkeTrends poll, there are more important factors in the customer's mind when it comes to buying a portable stereo. Color, it turns out, is near the bottom of the list.

Only 6% of the Marketrends families say that a boom box's color is very important when they decide which stereo to buy. Thirty-six percent of the survey households say that a boom box's hue is not at all important.



So how do shoppers decide which one to buy? First, by price—about half of the MarkeTrends families rank price as very important.

Next is brand name, cited by about one-fourth of the survey households. Following is the retail store's reputation, named by 19% in the poll, and how compact or small the stereo is, mentioned by 16% of the MarkeTrends families.

is not features.

The discount outlet shopper wants all the priciest features that the specialty and department store customer wants, he just wants to pay less.

For example, an almost equal number of the discount store and electronics specialty store shoppers (64% compared to 63%) say that they want a dual tape cassette the next time they buy. The same holds true for both detachable speakers (37% vs. 38%) and even a TV set (17% compared to 16%).

The only difference is that discount store customers are less likely to say that they want a compact disc player as part of their next boom box.

Only about 1 in 5 discount shoppers expect some day to buy a boom box with a CD player, while almost one-third of the specialty store customers will buy a CD player/boom box combo.

Private label potential: However, even the best of bargain hunters knows that there really is no such as thing as a free lunch, and discount store shoppers in the MarkeTrends poll admit that there is at least one thing they are willing to give up to get a rock-bottom price.

What discount outlet shoppers are willing to trade away are nationally advertised brand names. Off-brands or private label brands are acceptable alternatives for the discount store shopper, according to the nationwide survey.

While 61% of the MarkeTrends families who named an audio/electronics store as the place where they would buy a boom box are able to name a brand they would want to buy, only 44% of discount store shoppers can name a preferred brand.

Though 31% of specialty store customers rate brand name as a very important criterion in their buying decision, only 20% of discount store shoppers think brands are that important.

The most brand conscious boom box customers, however, are families that expect to buy their portable stereo at one of the department stores. Forty-four percent of department store shoppers think brand names are very important in helping them choose which boom box to buy.

Brand name leaders: The top market position for boom boxes, according to the MarkeTrends survey, belongs to Panasonic. Fifteen percent of the survey families that already own a portable stereo report that it bears the Panasonic nameplate.

Of current owners, Sony pulls in second, cited by 9% of MarkeTrends households. Following are Sanyo (5.7%), General Electric (5.7%), Toshiba (4.9%), Pioneer (3.2%), Emerson (2.6%), Magnavox (2.4%) and JVC (1.2%).

Asked what brands they think they will buy the next time, the survey families produce a similar list. Panasonic again is the customer's top choice, followed once again by Sony, Pioneer and GE. □

No boom in boom boxes

About one-third of American families already own a boom box, but according to *Chain Store Age*'s MarkeTrends poll, customer interest in buying again is beginning to lag. In the past six months, the number of households that say they expect to buy a portable stereo is down almost 15%.

In the latest survey, only 2% of the MarkeTrends families report that they definitely will buy a boom box in the next 12 months. Three percent say that they probably will buy, while 11% think that they may buy. Two-thirds of the sample families, meanwhile, rule out any chance of buying a portable stereo anytime in the next year.

For the Pacific states, however, the news is considerably more upbeat. Sales should be brisk, as West Coast customers express buying intentions that are more than double those recorded in other parts of the nation.

Also scoring higher than average interest in buying boom boxes are the East South Central, West North Central, Middle Atlantic and New England regions.

Recording less than average buying interest are the Mountain, West South Central, South Atlantic and East North Central states.

SIMPLICITY WEIGHS HEAVY IN BATHROOM

SCALES

Color, digital read-out and brand name play second fiddle to warranty and moderate pricing in consumer concern. Mass merchants will dominate future sales.

Consumers want their bathroom scales simple and moderately priced.

Results of an exclusive *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends study show that such new sophisticated features as weight readings in both pounds and kilos, memory and multiple memory are not important to potential bathroom scale purchasers.

What is more, respondents are more concerned about warranty than they are about color, digital read-out or brand name when it comes to buying scales.

Although prices vary widely, the median amount consumers in the report expect to pay for a scale is $26; the mean, $20.

According to the study, consumers prefer traditional platform style scales over balance beam doctor's types by a wide margin. Some 86.1% of the consumers canvassed would most likely buy the former; 7.7% the latter. Not answering were 6.2%.

The popularity of the platform type is underscored by the fact that 60.6% of the consumers polled in the study specifically said that they already own at least one of them. Less than 1% of the respondents own a doctor's scale.

If statistics in the report are any indication, retailers can expect no sales boom in scales during the next 12 months. Some 72.4% of the consumers said they would definitely not be buying scales within the next year, while only 3.3% said they definitely would, and 7.1% said they probably would.

As for features, 39.5% of those surveyed consider a warranty very important, while 14.8% deem it not at all important.

Digital read-out feature, on the other hand, was essential to 20% of the respondents, moderately important to 13.5% and not important in the least to 32%.

When it comes to color, 33.5% of the consumers feel this is of little or no importance, nearly twice the number (18.2%) who rated it as a top consideration in buying bathroom scales.

The new memory and weight reading features rank low on the want list of potential bath scale purchasers surveyed in the MarkeTrends study.

The ability of a scale to remember the user's last weight, for instance, caught the fancy of only 8.5% of the consumers. In contrast, it was not considered at all a must feature by just over half (53.7%) of the respondents.

Similarly, the multiple memory feature—the scale's capacity to remember weight of several people in the household—was embraced completely by only 6.2% of the consumers polled, and considered somewhat important by 2.6%. At the other extreme, 64.8% of the households indicated they definitely could do without the feature.

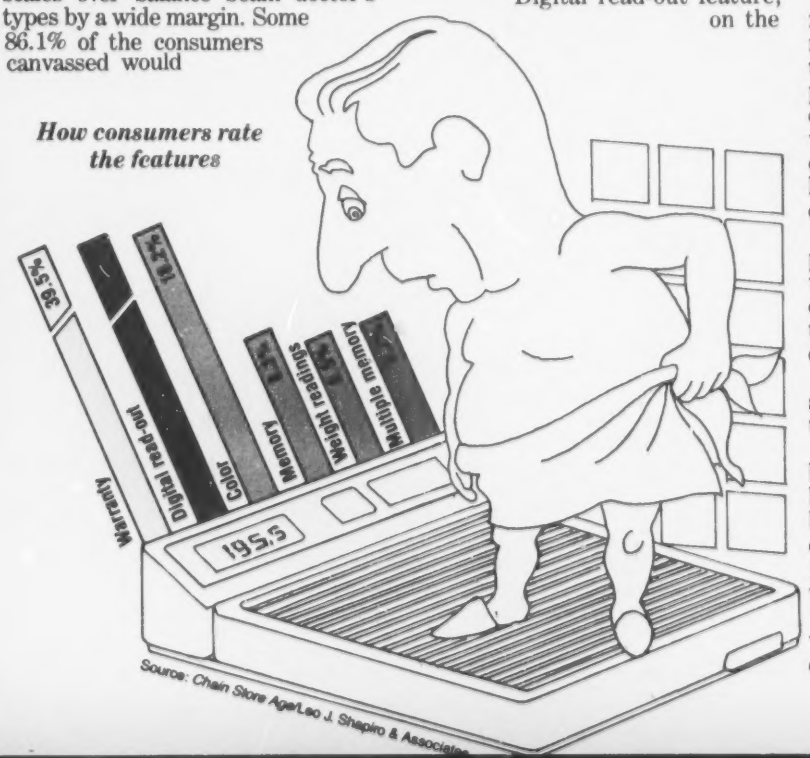
Consumers are equally unimpressed with a scale's ability to tell weight in pounds or kilos. Only 7.6% of the respondents give the feature top priority, while 65% turn thumbs down on it completely.

The study also shows that consumer brand recognition is extremely limited in bathroom scales.

In fact, 86.6% of the potential buyers could not come up with a brand name they would most likely buy. Even among respondents who currently own scales, not more than 16% could name a brand when asked what one they would want to buy.

Of the 13.4% of the consumers who were able to name a brand preference, 3.4% singled out Borg;

How consumers rate the features



Source: Chain Store Age/Leo J. Shapiro & Associates

1.4%, Sears; 1.3%, Sunbeam; and under 1%, Krups. The remaining 6.7% was spread over other manufacturers.

Prices consumers expect to pay for their scales ranged from $10 to over $100. The biggest block of consumers (19.4%), however, figure to pay $20 for their scale. Some 14.2% are willing to shell out between $21 and $29.99; and 12.7% over $40. The low end also had its adherents. Some 13.8% of the households expect to pay under $15 for a scale, while 11.2% were willing to go $15 for a model.

There were few surprises when it comes to where consumers buy their scales. As in most housewares categories, the mass merchants were the most likely point of purchase sites for the majority of households checked. They were cited by 37.6%. Of that number, K mart dominated, favored by 17.5% of the consumers.

The Big 3 national chains—Sears, Penney and Ward—were the potential scale sales mecca of 21.2% of the households. Here, Sears outdistanced the others with 13.9% of the vote, compared to Penney's 4.6% and Ward's 2.7%.

Rounding out the list of major scale purveyors are department stores and catalog showrooms. The study showed that 10.3% of the respondents would most likely buy scales in department stores; 8% in catalog showrooms.

Judging from promotion, retailers are generally in tune with the consumer.

Catalog showrooms have played it safe in assortments in their books.

***Platform scales are owned** by 60.6% of consumers vs. doctor's scales 1%.*

Best, Luria and Service catalogs spotlight 18 to 20 basic models on a single page. These break down almost equally between platform models with digital readouts, platform models with traditional readouts, and doctor's scales. Price points also run the gamut from platform models $10.97 to $45 and doctor's units at well over $100.

There is, though, a rather heavy concentration in the books of models at $19 and $20, price points favored by most of the consumers canvassed.

Scale ads by discount and department store chains have been on the meager side. Macy's, one of the few New York department stores promoting scales, took the low road, featuring a Krup model 890 in a recent "Your Choice $10" spread.

The *CSA* MarkeTrends study came up with some interesting demographics as they pertain to bathroom scales.

For one thing, it showed that most respondents (62.1%) were members of one-scale households. Almost 7% owned two scales.

Probably the most fascinating statistic to surface in the study involves frequency of scale use by the weight-conscious public. More people use scales once a week than during any other time frame.

Scales were used during a seven-day period by 26.6% of the consumers, while 18.2% used them once a month, and 16.9% once a day, and 13% two to three times a week. The mean figure for scale use is 2.2 times a week; the median, once a week.

Scale usage appears to be somewhat skewed towards more affluent households. Among respondents who report using a scale twice a week or more often, 24% have income of $50,000 or more, while just 8% of those who use scales less often than once a week have the same $50,000 or more income.

Ownership of scales, on the other hand, is somewhat related to age with owners being almost 10 years older than non-owners on the average. The mean age among those who own a bathroom scale is 46.1 years, while the mean age among non-owners is 37.6. □

Scale out of kilter—call "Dr. Digital"

When buyers of Counselor's electronic digital scales have a problem, they can pick up the phone and call Dr. Digital.

The good doctor is readily available at the other end of a toll-free number included with the scale's warranty information.

Dr. Digital, a.k.a. Dorothy Defoor, receives about 30 calls a day, mostly in the morning.

Callers have similar problems, and certain questions are common, says Defoor, who is also the Chicago producer's merchandising coordinator.

"I often get calls about the button on the back of the scale that reads 'do not remove.' People don't realize that the message applies only to packaging," Defoor says.

Another frequently asked question concerns the degree of a scale's accuracy, to which Defoor answers, "Two pounds either way." Other common queries are about rustproofness of the units, the necessity of an alkaline battery, and the effects of moving the scale.

If a caller has a malfunctioning scale under warranty, Defoor advises the consumer to send the scale back to Counselor.

According to Defoor, the implementation of the Dr. Digital program has reduced the rate of returns to retailers measurably. At the same time, the concept has provided Counselor with many happy customers.

CONSUMERS UPGRADE NEEDS IN BED

LINENS

No longer is status quo acceptable. Shoppers want better patterns, higher thread counts, 100% cotton and coordinated looks. Demand will rise 15% in the next year.

These days, people not only want to buy more sheets and pillowcases—they want to buy *better* sheets and pillowcases.

Demand will rise by a whopping 15% in the next year, as customers scour the stores for better patterns, larger sizes, higher thread counts, 100% cotton and coordinated looks, according to the latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends survey.

The move toward higher quality and larger sizes could push customers well beyond the opening price points, boosting gross margin dollars. Higher volume may also pump up gross margin dollars and should mean faster turns.

But nothing is guaranteed. Retailers will have little chance of enjoying the full benefits of these new opportunities if the category continues to function almost as a loss leader.

Industry observers, meanwhile, attribute the possibility of gains to popular patterns and customers' growing awareness of the meaning of thread counts.

Of 452 people querried by telephone, 48% say they may buy sheets or pillowcases in the next 12 months, up from 33% a year ago. Big gainers include waterbed sheets, expected to increase by 9%, and children's sheets, which should rise by 7%.

The survey also reveals an almost astounding increase in the public's understanding of thread counts. A year ago, more than 84% declined to declare a preference for a particular thread count. That figure plummeted to just over 41% this year.

Awareness of thread counts is growing at the higher end of the market, with many discount store customers still looking first at price, says Jim Monroe of Cannon Mills.

In this year's survey, 35% say they want 180 threads or more, up from 8.5% last year. Designer sheet customers have become much more aware of thread counts, with nearly 48% demanding 180 threads or more this year, compared with 12.9% a year ago.

Preference for all-cotton is also growing dramatically. This year, nearly 49% of prospective purchasers want 100% cotton, compared with less than 38% a year ago.

As with thread counts, the growing preference for cotton is due to the increasing sophistication of designer sheet customers. Just over 56% of this year's designer sheet customers want all-cotton, compared to less than 39% a year earlier.

On the other hand, awareness of no-iron 100% cotton sheets and pillowcases is dropping. This year, fewer than 27% of the respondents are familiar with no-iron all-cotton, compared with nearly 39% last year.

The percentage who say they do not know if no-iron 100% cotton sheets are available rose from 48% last year to nearly 58% in the current survey.

Awareness of no-iron all-cotton is steady only among—you may have guessed it—the customers who bought designer sheets in the last year or say they may buy designer sheets in the coming year. In that group, awareness has hovered near 39%.

Once people know about no-iron all-cotton sheets, though, demand becomes overwhelming. After hearing from pollsters that the sheets are on the market, 84% of the survey respondents they want the product,

***Nearly 49% of prospective purchasers** want 100% cotton vs. less than 38% last year.*

while 9% still prefer regular cotton and just 5% still want blends.

The industry is also giving customers a reason to buy and a reason to move up in price points by providing better novelty patterns, including many with a country look.

Prints should have the largest market share, the survey indicates, with nearly 45% of those surveyed saying prints are their first choice. Solids other than white are second most popular with 36%, and whites are the choice of just over 14%. The trend toward prints is even more pronounced among designer sheet customers, of whom 65% want prints, up from 33% a year earlier.

The story is different, though, with waterbed sheets and pillowcases. As waterbeds move into the mainstream, owners are defecting from the bold graphics of recent years in favor of whites, 25%, and other solid colors, 67%.

Prints continue to lead in flannel sheets and pillowcases, winning the preference of 55.4% of those customers this year, compared to 29% for solids other than white and 12% for white.

Flannel sheet sales appear healthy, too, with more than 24% of respondents saying they either bought such sheets in the last year or may buy in the coming 12 months. That compares favorably with last year's 17% figure.

Customers continue to think of flannel sheets as seasonal, though. This 70% judge the product seasonal, a figure roughly the same as last year's 68%.

Coordination of bedroom looks is another growth area, the survey shows. This year, 48% of respondents want their sheets and pillowcases to match other bedroom furnishings, up from less than 41% the previous year.

A comforter that matches the linens is most important to those polled, warranting the votes of 22% this year, compared with 18% a year ago. This time, 21% want curtains to match the linens, up from last year's 18%. Bedspreads should match the linens, say 18% this year, up from 12%.

Though coordinated colors and patterns are often associated with department stores only, manufacturers cite K mart and Wal-Mart as two of the discounters excelling in the business.

Where space is limited, says Cannon's Monroe, special fixturing can replace full-sized vignettes as a means of displaying ensembles.

A movement away from double beds also presents an opportunity for retailers, because most of the business is migrating upward toward queen and king sizes.

Among those who have bought in the last year or plan to buy in the coming year, preference for double-sized sheets has dipped to 26% this year, from 34% a year ago.

This year, 38% want queen, up from 35% last year. Now, 27% want king, compared to the previous year's 23%. That means a total of 7% want larger and more costly sheets.

Retailers have another chance to improve profitability by choosing the right licensed characters, of course. There, the survey shows Mickey Mouse leaping ahead of the competition, though that part of the survey is too small for statistical significance.

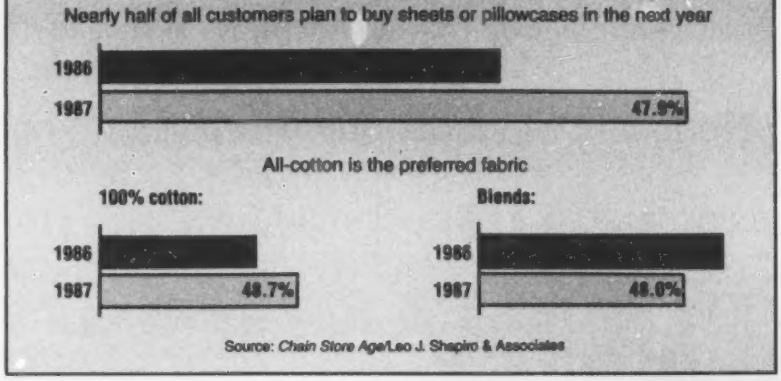
Mickey moved into first place this time, with nearly 21% of the mentions from parents who expect to buy their children sheets with licensed characters. Last year, Mickey tied for fifth place, after mentions from just over 8%.

According to the survey, this year's other strong character licenses include Care Bears, Disney characters in general, Sesame Street and Rainbow Bright.

Retailers may find licensed characters their best hope in children's sheets, where demand appears nearly stagnant, with 34% of sheet buyers planning to buy sheets for children, compared to 33% last year.

The survey also indicates that brand awareness is slipping. Cannon remains the leader, after more than 17% of those surveyed mentioned the brand this year. That result was down from last year's survey-leading mark of more than 20%. □

Sheets and pillowcases: Customers purchasing all-cotton at all-out pace



Source: *Chain Store Age*/Leo J. Shapiro & Associates

***Of those polled,** 48% want bed linens to match other bedroom furnishings.*

Second quarter profits up 35%

Some day retailers will have to face up to weak sales gains, but strong second quarter profits will give them little impetus to do so right now.

Despite sales increases for the period that averaged only about 10% or less, the 30 retail companies tracked by *Chain Store Age* posted a combined 35.4% earnings gain compared to last year's second quarter. For the first half, profits are up 28.4%.

The gains are the result of belt tightening efforts instituted by retailers in the last recession and that are only now beginning to pay off big. Merchants also are reaping the rewards of tax reform, which has reduced tax rates for nearly every retail company this year.

Windfall profits from tax code changes likely will spill over into 1988, too, as effective rates for most retailers will fall even further. Some analysts have suggested that because of the changes, many companies can continue to record profit gains on even small sales increases.

The danger is that merchants, buoyed by bigger margins and profits, will too late realize that they have lost market share as sales at the register do not keep pace with earnings.

At Sears, the nation's largest retailer, profits for its Merchandise Group edged ahead 2.8% in the quarter, but for the first half are running 3% behind last year's totals.

Montgomery Ward, which last year recorded the highest profits in its history, has parlayed a 7.6% sales gain so far in 1987 into a 68.8% earnings hike.

J. C. Penney reported profits up a whopping 124% in the second quarter and 44% for the half, despite significant provisions for relocation of its corporate headquarters to Texas.

Profits at the department store companies, as a group, are lagging behind other retail formats this year, just as they did last year. The most notable of them is Dayton Hudson, where profits are down almost 19% for the first half.

But Dayton Hudson's problems had less to do with its department stores than they do with its troubled Mervyn's promotional chain, which is struggling in a competitive California market.

Also in California, Dayton Hudson's discount store division is eating up a significant amount of cash to convert some 50 former Gemco locations into Target stores.

Federated Department Stores, however, laid the blame for its 13% quarterly earnings dip and 2% drop in the first half squarely on the shoulders of its two largest headquarters department store chains—Houston-based Foley's and Columbus-headquartered Lazarus.

"These two divisions are involved in major merger and consolidation programs," explained Federated chairman/ceo Howard Goldfeder.

"Second quarter operating costs related to these programs exceeded management expectations. Additionally, earnings for the period were depressed by the assimilation of Block's into Lazarus and the continued impact of the stagnant oil economy in key Foley's markets," Goldfeder said.

St. Louis-based May Department Stores, the largest of the diversified retailers, posted a 27.1% earnings gain in the most recent quarter, with first half figures rising 33%.

The discount stores were the quarter's strongest profit performers, and, as usual, Wal-Mart led the pack. The Bentonville, Ark.-based chain recorded a 39.8% earnings hike in the second quarter, just below its 44.4% first half pace.

Zayre Corp. posted a $77 million profit gain in the first half compared to last year's dismal results, but the increase was the result of $90 million the company gained when it sold off a 17.5% stake of it TJX Companies to the public.

Management at Zayre attributed its losses to continuing disappointing results in its discount store division and to certain other charges.

Second quarter profits outpace small sales gains

Chain	2nd quarter ($000 omitted) 1986	1987	% change	1st half ($000 omitted) 1986	1987	% change
J. C. Penney	$ 46,000	$103,000	+123.9	$ 109,000	$ 157,000	+ 44.0
Sears	166,200	170,800	+ 2.8	208,300	202,100	– 3.0
Montgomery Ward	14,000	19,000	+ 35.7	16,000	27,000	+ 68.8
Subtotal	**$226,200**	**$292,800**	**+ 29.4**	**$ 333,300**	**$ 386,100**	**+ 15.8**
Ames	6,267	1,772	– 71.7	12,052	8,724	– 27.6
Dollar General	2,447	2,007	– 1.8	713	476	– 33.2
Hills	(9,979)	(6,361)	N.M.	(68,434)	(23,147)	N.M.
Jamesway	2,589	2,858	+ 10.4	3,455	4,131	+ 19.6
K mart	118,400	145,400	+ 22.8	210,500	260,900	+ 23.9
Roses	3,773	3,076	– 18.5	10,288	10,765	+ 4.6
Wal-Mart	95,864	134,071	+ 39.8	169,255	244,460	+ 44.4
F. W. Woolworth	31,000	37,000	+ 19.4	51,900	66,000	+ 29.4
Zayre	5,610	78,246	N.M.	22,306	99,244	+344.9
Subtotal	**$228,071**	**$398,069**	**+ 74.5**	**$ 411,136**	**$ 671,553**	**+ 63.3**
Carson Pirie Scott	(829)	(45,663)	N.M.	(3,605)	(45,258)	N.M.
Dayton Hudson	40,600	23,000	– 43.4	75,300	61,100	– 18.9
Dillard	11,501	12,413	+ 7.9	23,297	26,915	+ 15.5
Federated	34,519	30,058	– 13.1	81,868	80,162	– 2.1
D. H. Holmes	(660)	(1,539)	N.M.	(1,604)	(2,648)	N.M.
May Dept. Stores	48,000	61,000	+ 27.1	94,000	125,000	+ 33.0
Mercantile	14,123	17,979	+ 27.3	35,770	45,076	+ 26.0
Nordstrom	20,549	24,464	+ 19.0	29,990	39,677	+ 32.3
Strawbridge Clothier	1,414	2,059	+ 45.6	3,526	5,082	+ 44.1
Subtotal	**$169,217**	**$123,771**	**– 26.9**	**$ 338,542**	**$ 335,186**	**– 1.0**
Oshman's	296	(654)	N.M.	(1,615)	(2,305)	N.M.
Toys "R" Us	13,062	16,651	+ 27.5	23,402	31,174	+ 33.2
Subtotal	**$ 13,358**	**$ 15,997**	**+ 19.8**	**$ 21,787**	**$ 28,869**	**+ 32.5**
Clothestime	4,460	5,214	+ 16.9	6,261	7,770	+ 24.1
Edison Brothers	4,500	(9,700)	N.M.	9,200	(10,800)	N.M.
The Gap	8,394	13,126	+ 56.4	18,618	29,291	+ 57.3
The Limited	40,220	57,161	+ 42.1	71,622	102,618	+ 43.3
Ross	(515)	4,736	N.M.	(6,812)	556	N.M.
Subtotal	**$ 57,059**	**$ 70,537**	**+ 23.6**	**$ 98,889**	**$ 129,435**	**+ 30.9**
Best Buy	1,370	808	–41.0	1,200	1,600	+33.3
Audio-Video Affiliate	1,984	1,359	– 31.5	12,052	8,724	– 27.6
Subtotal	**$ 3,354**	**$ 2,167**	**– 35.4**	**$ 13,252**	**$ 10,324**	**– 22.1**
Total	**$897,259**	**$983,341**	**+ 35.4**	**$1,216,985**	**$1,561,387**	**+ 28.4**

[1]Continuing operations only [2]Consolidated operations only [3]Excludes unusual items [4]U.S. merchandising only
( ) Indicates loss N.C. No change N.M. Not meaningful
Source: *Chain Store Age* research

Slow sales blamed on late holiday

Did a week-late Labor Day fool Wall Street? The holiday fell on September 7 this year and pushed nearly a week's worth of back-to-school sales out of the August reporting period and into September.

Most retailers, then, reported less than spectacular August results when compared to last year's figures. Wall Street reacted in typical form, and retail company stock prices took a nosedive.

The Limited, a Wall Street favorite this year, recorded same-store results up only 2% for the month, and the news precipitated a seven point drop in the company's stock price.

Wall Street may have overreacted, however, as many merchants experienced healthy sales in the month's final days, auguring a good September, instead of the usual August, B-T-S.

Compared to year-ago totals, the 19 retail companies tracked by *Chain Store Age* recorded an 8.6% sales uptick in August. For the seven-month fiscal year, sales are ahead a combined 10.1%.

Though August figures may be artificially low, the month's results are nonetheless the fourth consecutive reporting period in which the year-to-date pace has outdistanced monthly totals.

Among the weakest performers for the month were the national mass merchants. Sears reported same-store results down 0.3% in August. J. C. Penney comparable-store totals gained a modest 2.7%. Montgomery Ward did not break out same-store results, but its overall sales increased only 1%.

Elsewhere, results were more encouraging. May Department Stores reported same-store figures ahead 7.3% for its department store divisions, and 6.7% at its Connecticut-based Caldor discount chain. For May's St. Louis-based Venture discount stores, comparable-store sales dipped 4.1%.

Dayton Hudson recorded company-wide sales up 14.2%, but results were uneven across its retail business segments. Same-stores figures gained 11% for hardlines specialist Lechmere, 5% for Mervyn's, 3% at the department stores, and 1% for Target discount stores.

Discounter Wal-Mart, meanwhile, continues on its own sales upswing, apparently immune to trends affecting the rest of the industry. Despite the delayed back-to-school shopping season, the Bentonville, Ark.-based chain recorded overall sales ahead nearly 33% with same-store results up 10%.

K mart recorded a 6.5% overall gain. Zayre reported sales up 13.5% for the month. Braintree, Mass.-based Bradlees discount stores said that its sales gained 4% in August, but that comparable-store results increased only 1%.

Connecticut-based Ames, which operates both discount and variety stores in the Northeast, reported sales up 11.2% in August.

Among the department stores, Carter Hawley Hale said that its same-store sales were ahead 3% for the month and are up 3.7% in the first seven months. Mercantile reported comparable-store results ahead 3.2% in August and 4% for the year-to-date.

Generally, sales for the electronics specialists were higher than many expected. Tandy's Radio Shack stores recorded same-store sales up 11% for the month. Richmond, Va.-based Circuit City reported volume 28.9% ahead of last year. Minneapolis-based Best Buy increased sales by 115%.

Late B-T-S trims August sales

Major chains	% change	August sales* 1987	August sales* 1986	Stores 1987	Stores 1986	7-mo. sales* 1987	7-mo. sales* 1986	% change
Sears[1,2]	N.C.	$ 2,050,818	$2,051,677	808	799	$14,510,865	$14,090,123	+ 3.0
Penney[3]	+ 3.4	1,089,000	1,053,000	1,846	1,877	7,012,000	6,738,000	+ 4.1
Ward	+ 1.0	345,300	341,800	298	292	2,371,300	2,224,700	+ 6.6
May Dept. Stores	+ 7.0	776,600	726,100	2,866	2,210	5,427,400	4,963,300	+ 9.4
Dayton Hudson	+ 14.2	804,800	704,800	513	418	5,157,600	4,525,800	+ 14.0
Federated[3]	+ 5.7	681,100	644,300	650	620	4,547,800	4,311,400	+ 5.5
Carter Hawley Hale	+ 4.8	186,900	178,400	112	112	1,351,300	1,278,600	+ 5.7
Mercantile	+ 2.2	160,893	157,413	79	82	1,088,733	1,028,946	+ 5.8
Carson Pirie Scott[4]	+ 9.2	82,700	75,713	N/A	N/A	445,000	384,072	+ 15.9
K mart[1,5]	+ 6.5	1,766,400	1,657,800	2,202	2,185	13,171,200	12,214,300	+ 7.8
Wal-Mart	+ 32.6	1,363,000	1,028,000	1,150	967	8,307,000	6,143,000	+ 35.2
Zayre	+ 13.5	488,300	430,100	1,139	1,040	3,188,400	2,715,100	+ 17.4
Woolworth[3]	+ 7.7	361,000	335,000	N/A	N/A	2,226,000	2,089,000	+ 6.6
Ames	+ 11.2	153,600	138,100	468	452	1,085,600	951,400	+ 14.1
Bradlees	+ 4.4	142,000	136,000	167	157	1,009,000	915,000	+ 10.3
Tandy[3]	+ 15.4	235,857	204,473	N/A	N/A	1,604,206	1,456,292	+ 10.2
Circuit City	+ 28.9	102,500	79,500	92	76	602,800	437,300	+ 37.8
Federated Group	– 9.9	27,300	30,300	66	61	203,500	215,100	– 5.4
Best Buy	+ 115.4	32,100	14,900	29	14	187,100	86,854	+ 115.4
Totals & Averages	+ 8.6	$10,850,168	$9,987,376	—	—	$73,496,804	$66,768,287	+ 10.1

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Excludes supermarket sales. [4]Retail division only. [5]Continuing operations only. [6]Store number for K mart stores only.

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